

PROMISSORY NOTE

\$142,859.00

_____, 2014

FOR VALUE RECEIVED, the undersigned, Manor Associates Limited Partnership, a North Carolina limited partnership the mailing address of which is 1150-2 Executive Circle, Cary, North Carolina 27511 ("Borrower") promises to pay to the order of the City of Durham, North Carolina ("City"), at its offices located at 101 City Hall Plaza, Durham, North Carolina 27701 or at such other place as the City may designate in writing, the principal sum of One Hundred Forty Two Thousand Eight Hundred Fifty Nine and no/100 Dollars (\$142,859.00) or so much thereof as may be advanced by the City pursuant to the Loan Agreement of even date herewith between the Borrower and the City or any modification thereof (the "Loan Agreement") and all additions to said principal as provided herein or therein, with interest at the rate of zero percent (0%) per annum on the unpaid principal balance (the "Loan"). Principal and interest shall be due and payable as hereinafter provided.

1. Definitions. As used herein, the following terms shall be defined as follows:

Term. The Term shall mean the period of Fifteen (15) years from the date of this Note, but in no event expiring later than **June 30, 2031**, the ("Maturity Date").

2. Payments. Payments of principal and interest, if any, due hereunder shall be due and payable as follows:

- 2.1 Term. If the Term commences as provided in the Loan Agreement, the following payments of principal shall thereafter be due:

Forgiveness of Principal. So long as no uncured Events of Default have occurred under any of the Loan Documents securing this Note, the loan principal amount of One Hundred Forty Two Thousand Eight Hundred Fifty Nine and no/100 Dollars (\$142,859.00) shall be forgiven in increments of one-fifteenth (1/15) each year during the Term, with each increment of forgiveness occurring on the anniversary date of the final Loan disbursement.

- a) Monthly Installments. There shall be no monthly installments due under this Note, so long as the Borrower fulfills its obligations under the Loan Documents, until the fifteenth (15th) anniversary of the Term commencement date, when any unpaid and unforgiven principal balance or other charges having been assessed or being due under any of the Loan Documents shall become due.
- b) Prepayment. The Borrower may repay the indebtedness evidenced by this Note in whole or in part at any time without any prepayment penalty or fee. The City requires that any partial prepayments be made on the

first day of the month and that such partial prepayments be in the minimum amount of \$5,000 or multiples thereof

3. Late Payments Fees. In the event Borrower fails to pay any monthly installment due during the Permanent Term within fifteen (15) days after the same shall become due, the City may impose a late payment charge upon the Borrower of six (6%) percent of the amount of such payment. Such late payment fees as may accrue shall constitute a part of the indebtedness due hereunder and the payment thereof shall be secured by the Deed of Trust (as hereinafter defined).
4. Application of Payments. Each prepayment or other payment made by the Borrower shall, unless the City elects otherwise, be applied in the following order: First, to the repayment of any advances, if any, made by the City under any Loan Documents (as such term is defined in the Loan Agreement) (i) to cure Borrower's default thereunder or (ii) to protect the security provided by the Deed of Trust; second, to any accrued interest due; third, to the payment of any late fees due under Paragraph 4 hereof; and fourth, to the reduction of the principal balance outstanding hereunder.
5. Related Documents. This Note is secured by a Deed of Trust of even date herewith (the "Deed of Trust") executed by the Borrower conveying certain property located in Durham, North Carolina. This Note, evidences the Loan made by the City to the Borrower pursuant to the Loan Agreement. The Loan Agreement and the Deed of Trust grant the City certain rights to accelerate the indebtedness due hereunder because of the Borrower's default hereunder or thereunder and provide for various remedies to the City in the event the Borrower defaults.
6. Default. If there shall occur an Event of Default under the Loan Agreement, Deed of Trust, or any other Loan Documents then, or at any time thereafter: (a) the entire principal balance outstanding hereunder, with accrued interest, shall, at the City's option and without notice to the Borrower, become immediately due and payable; and (b) the City shall be entitled to exercise any rights or remedies that it may have under the Deed of Trust, the Loan Agreement or other Loan Documents, or such other rights or remedies as may be provided by law or equity. The City may exercise the option to accelerate at any time during any such uncured default, regardless of any prior forbearance, and the acceptance of one or more installments from any person thereafter shall not constitute a waiver of the City's option.
7. Default Rate. Subsequent to the occurrence of a default hereunder or of an Event of Default under the Loan Agreement, the Deed of Trust or any other Loan Documents, and continuing until the City has accelerated the due date of the principal hereof because of such default, until the total principal and accrued

interest shall have been fully paid, interest on the unpaid principal balance hereof shall accrue at the Default Rate. The Default Rate shall be fifteen percent (15%) per annum.

8. Costs and Expenses. The Borrower agrees to pay immediately upon the City's demand therefore all reasonable costs and expenses incurred at any time by the City, including without limitation, reasonable attorneys' fees, in connection with collecting the indebtedness due hereunder, enforcing any of its rights and remedies under the Loan Agreement, the Deed of Trust or any other Loan Documents. Without limiting other situations in which the City may properly incur such reimbursable costs and expenses, the City's reasonable costs and expenses incurred in each of the following circumstances shall be included within this obligation: (i) if after any default described in Paragraph 6 hereof, the City employs an attorney to collect the indebtedness due hereunder or to enforce any of its rights or remedies under the Loan Agreement, the Deed of Trust, or the Assignment of Rents of even date herewith from the Borrower to the City; (ii) if the City finds it necessary or desirable upon any such default to obtain the services or advice of its attorneys with regard to the collection of the indebtedness due hereunder or the enforcement of its rights or remedies regardless of whether an actual collection action is filed or the indebtedness accelerated; or (iii) if the City seeks to have the property encumbered by the Deed of Trust abandoned by any estate in bankruptcy or attempts to have any stay or injunction prohibiting the enforcement or collection of this Note, prohibiting foreclosure of the Deed of Trust, or the enforcement of the City's rights or remedies lifted by any bankruptcy or other court, and any subsequent proceedings or appeals from any order or judgment entered in any such proceeding. In addition, if the City shall be made a party to or shall intervene in any action or proceeding, whether in court or before any governmental agency, affecting the property encumbered by the Deed of Trust or the title thereto or the City's lien thereon, including without limitation, any condemnation proceeding, the City shall be reimbursed by the Borrower immediately upon demand for all costs, reasonable charges and attorneys' fees incurred by the City in any such case and the payment of all such costs and expenses shall be secured by the Deed of Trust. The term "reasonable attorneys' fees" shall include attorneys' fees incurred by the City whether or not suit is brought and if suit is brought, shall include attorneys' fees at trial and on appeal. The amount of such reasonable attorneys' fees shall be determined on the basis of actual time expended and services actually performed by such attorneys and shall not exceed the amount established by the statutory presumption contained in N.C.G.S. §6-21-2.
9. Waiver. All parties liable for payment of the indebtedness due hereunder, whether accommodation makers, sureties, endorser, guarantors, or other parties, hereby waive presentment, demand, protest, notice or protest, nonpayment, dishonor and acceleration of maturity and agree that the time for payment of this Note may be

extended from time to time, that this Note may be renewed from time to time, and that any collateral that secures the payment of this Note may be released, all without notice to them and without affecting, in any manner, their liability for payment of this Note.

10. No Personal Liability. Notwithstanding anything herein to the contrary, and except as provided in this Section, recourse on the Borrower's obligation to pay principal, interest, and any other amounts due under this Note shall be limited to the Property secured by the Deed of Trust. Except as provided in this section, neither the Borrower nor any of the constituent general or limited partners of the Borrower shall have personal liability for any such obligation.

Without regard to and notwithstanding any contrary provisions which may be in the Loan Documents, the Borrower and its general partners shall be fully and personally liable, jointly and severally, to the representative of the City and the City for any loss, cost, expense or liability of the City arising or resulting from:

- (a) The Borrower's failure to comply completely and on a timely basis with any covenant or warranty contained in the Loan Documents relating to security deposits;
 - (b) The City's enforcing of the Loan Documents against the Borrower, including but not limited to, attorney's fees;
 - (c) For any rents collected by the Grantor more than one month in advance; and for any and for all rents collected by the Borrower after the Borrower has received notice of the occurrence of an event of Default from the City;
 - (d) The Borrower's failure to pay when due any real estate tax constituting a lien on the Property, or to maintain insurance required to be maintained under the Deed of Trust; and
 - (e) The Borrower's failure to comply with completely with any representation, covenant, warranty or provision contained in the Loan Documents regarding environmental laws or hazardous, toxic or other environmentally regulated materials, wastes or substances, and the presence of hazardous, toxic, or other environmentally regulated materials wastes or substances on the Property, whether or not caused by or within the control of the Borrower, including but not limited to, the obligations, requirements and provisions set forth in the Deed of Trust.
11. Governing Law. This Note shall be interpreted, construed and enforced according to the laws of the State of North Carolina.
12. Captions and References. The captions of the paragraphs in this Note are for the purpose of convenience only, and shall not be deemed to modify, explain, enlarge or restrict any of the provisions hereof.

IN WITNESS WHEREOF, Borrower has duly executed this Note under seal on the date first above written.

BORROWER:

Manor Associates Limited Partnership,
a North Carolina Limited Partnership

BY: _____
James W. Pou, General Partner

BY: _____
I. Jarvis Martin, General Partner

State of North Carolina
County of _____

I, a notary public in and for the aforesaid county and state, certify that James W. Pou and I. Jarvis Martin personally appeared before me this day and stated that each of them is a General Partner of Manor Associates Limited Partnership, a North Carolina limited partnership, and that by authority duly given and as the act of the Limited Partnership, the foregoing Promissory Note was signed in its name by each of them on behalf of and as an act of the partnership. This the _____ day of _____, 2014.

My commission expires:

Notary Public